

AMBULANCE REVENUE and COST REPORT
FIRE DISTRICT and SMALL RURAL COMPANY

Arizona Department of Health Services
Annual Ambulance Financial Report

BUCKEYE VALLEY RURAL VOLUNTEER FIRE DISTRICT
Reporting Ambulance Service

Address: P.O. BOX 75

City: BUCKEYE Zip: 85326

Report Fiscal Year

From: July 1, 2014 To: June 30, 2015
Mo Day Year Mo Day Year

I hereby verify that I have directed the preparation of the enclosed annual report in accordance with the reporting requirements of the State of Arizona.

I have read this report and hereby verify that the information provided is true and correct to the best of my knowledge.

This report has been prepared using the accrual basis of accounting.

Authorized Signature:

Ray Temple

Date:

02-29-2016

Print Name and Title:

RAY TEMPLE

FINANCE DIRECTOR

Phone:

(623) 386-5906

Mail to:

Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 North 18th Avenue, Suite 540
Phoenix, AZ 85007-3248
Telephone: (602) 364-3150
Fax: (602) 364-3567

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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

BUCKEYE VALLEY RURAL VOLUNTEER FIRE DISTRICT

FOR THE PERIOD

FROM: July 1, 2014

TO: June 30, 2015

STATISTICAL SUPPORT DATA

| Line No. | DESCRIPTION | (1) SUBSCRIPTION SERVICE TRANSPORTS | (2) TRANSPORTS UNDER CONTRACT | (3) TRANSPORTS NOT UNDER CONTRACT | (4) TOTALS |
|----------|------------------------------------|--|--|--|---------------|
| 1 | Number of ALS Billable Transports: | | | 5,462 | 5,462 |
| 2 | Number of BLS Billable Transports: | | | 560 | 560 |
| 3 | Number of Loaded Billable Miles: | | | 115,540 | 115,540 |
| 4 | Waiting Time (Hr. & Min.): | | | | |
| 5 | Canceled (Non-Billable) Runs: | | | | |

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

| | | | | | |
|----|---|--|--|-----------------------------|-----------|
| 6 | ALS Base Rate Revenue | | | \$ | 6,123,519 |
| 7 | BLS Base Rate Revenue | | | | 628,636 |
| 8 | Mileage Charge Revenue | | | | 1,651,416 |
| 9 | Waiting Charge Revenue | | | | |
| 10 | Medical Supplies Charge Revenue | | | | |
| 11 | Nurses Charge Revenue | | | | |
| 12 | Standby Charge Revenue (Attach Schedule) | | | | |
| 13 | TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE | | | (Post to Page 3, Line 1) \$ | 8,403,571 |

SALARY AND WAGE EXPENSE DETAIL

GROSS WAGES:

** No. of FTE's

| | | | | | |
|----|--|--|----|-----------|------|
| 14 | Management | | \$ | 351,470 | 8.2 |
| 15 | Paramedics and EMTs | | \$ | 1,136,209 | 73.7 |
| 16 | Emergency Medical Technician (EMT) | | \$ | 856,201 | 61.3 |
| 17 | Other Personnel | | \$ | 117,037 | 3.3 |
| 18 | Payroll Taxes and Fringe Benefits - All Personnel | | \$ | 747,764 | |
| 19 | Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10) | | \$ | 3,208,681 | |

* This column reports only those runs where a contracted discount rate was applied.

** Full-time equivalents (F.T.E.) is the sum of all hours for which employees wages were paid during the year divided by 2080.

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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY:

BUCKEYE VALLEY RURAL VOLUNTEER FIRE DISTRICT

FOR THE PERIOD

FROM: July 1, 2014

TO: June 30, 2015

SCHEDULE OF REVENUES AND EXPENSES

| Line No. | DESCRIPTION | | |
|------------------------------------|--|------------------------------|--------------|
| Operating Revenues: | | | |
| 1 | Total Ambulance Service Operating Revenue | (From: Page 2, Line 13) | \$ 8,403,571 |
| Settlement Amounts: | | | |
| 2 | AHCCCS | | 1,112,389 |
| 3 | Medicare | | 1,429,711 |
| 4 | Subscription Service | | |
| 5 | Contractual | | |
| 6 | Other | | 156,266 |
| 7 | Total | (Sum of Lines 2 through 6) | 2,698,366 |
| 8 | Total Operating Revenue | (Line 1 minus Line 7) | \$ 5,705,205 |
| Operating Expenses: | | | |
| 9 | Bad Debt | | \$ 1,015,095 |
| 10 | Total Salaries, Wages, and Employee-Related Expenses | (From: Page 2, Line 19) | 3,208,681 |
| 11 | Professional Services | | 160,195 |
| 12 | Travel and Entertainment | | |
| 13 | Other General Administrative | | 96,546 |
| 14 | Depreciation | | 298,887 |
| 15 | Rent / Leasing | | |
| 16 | Building / Station | | 159,090 |
| 17 | Vehicle Expense | | 293,516 |
| 18 | Other Operating Expense | | 501,388 |
| 19 | Cost of Medical Supplies Charged to Patients | | |
| 20 | Interest | | 63,146 |
| 21 | Subscription Service Sales Expense | | |
| 22 | Total Operating Expense | (Sum of Lines 9 through 21) | 5,796,544 |
| 23 | Total Operating Income or (Loss) | (Line 8 minus Line 22) | \$ (91,340) |
| 24 | Subscription Contract Sales | | |
| 25 | Other Operating Revenue | | |
| 26 | Local Supportive Funding | | |
| 27 | Other Non-Operating Income (Attach Schedule) | | |
| 28 | Other Non-Operating Expense (Attach Schedule) | | |
| 29 | NET INCOME or (LOSS) Before Income Taxes | (Sum of Lines 23 through 28) | \$ |
| Provision for Income Taxes: | | | |
| 30 | Federal Income Tax | | |
| 31 | State Income Tax | | |
| 32 | Total Income Tax | (Line 30, plus Line 31) | |
| 33 | Ambulance Service Net Income (Loss) | (Line 29, minus Line 32) | |

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Buckeye Valley Rural Volunteer Fire District

Financial Statements

June 30, 2015

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 **Heidenreich & Heidenreich, CPAs, PLLC**

Buckeye Valley Rural Volunteer Fire District
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Heidenreich & Heidenreich, CPAs, PLLC

10201 S. 51st Street, Suite #170
Phoenix, AZ 85044
(480)704-6301 fax 785-4619

INDEPENDENT AUDITOR'S REPORT

To the District Board
Buckeye Valley Rural Volunteer Fire District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Valley Rural Volunteer Fire District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation on financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Buckeye Valley Rural Volunteer Fire District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle

As described in the notes to the financial statements, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ended June 30, 2015, which represents a change in accounting principle. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 7, budgetary comparison information on page 47, and net pension liability information on pages 48 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2016, on our consideration of the Buckeye Valley Rural Volunteer Fire District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Buckeye Valley Rural Volunteer Fire District's internal control over financial reporting and compliance.

Heidenreich; Heidenreich CPAs PLLC

Heidenreich & Heidenreich, CPAs, PLLC
Phoenix, AZ
January 25, 2016

BUCKEYE VALLEY FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Buckeye Valley Fire District, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District's performance during the fiscal year ending June 30, 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The assets of the Buckeye Valley Fire District exceeded its liabilities at the close of the most recent fiscal year by \$7,311,129 (*net assets*). Of this amount, \$4,068,364 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$1,069,769.
- The District: (1) has seventy-one full-time employees and over eighty reserves and volunteers; (2) obtained grants to supplement the existing budget; and, (3) continued upgrading the equipment and facilities.
- The District strives to provide the best possible service while minimizing the tax rate.

Overview of the Financial Statements

This annual report includes the management's discussion and analysis report, the accountant's audit report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The District is a special-purpose government entity that has a single governmental program. Therefore, the fund and government-wide financial statements are being presented together in the same financial statements.

The balance sheet and statement of net assets present information on all of the District's assets and liabilities. The "Adjustments" column displays the changes needed to adjust the line items in the balance sheet to the line items in the statement of net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets, without a corresponding increase to liabilities, result in increased net assets which indicate an improved financial position.

The governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities are also presented together in the same financial statement. This statement presents information showing how a government's net assets changed during the fiscal year. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its property taxes, ambulance revenues and mutual-aid agreements.

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The District is the trustee, or *fiduciary*, for certain funds held on behalf of the Buckeye Valley Fire District. The District's fiduciary activities are reported in a separate statement of fiduciary net assets and statement of changes in fiduciary net assets. We exclude this activity from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring the assets reported in these funds are used for their intended purposes.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District's activities in a way that will help answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's net assets – the difference between assets and liabilities – as a measure of financial health or financial position. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

To begin our analysis, we present a summary of the District's Statement of Net Assets.

| | June 30, 2015 | June 30, 2014 | June 30, 2013 |
|--|---------------|---------------|---------------|
| Current and other assets | \$ 5,419,403 | \$ 4,515,855 | \$ 5,384,432 |
| Capital assets | 6,141,441 | 6,161,404 | 6,469,425 |
| Total assets | 11,560,844 | 10,677,259 | 11,853,857 |
| Deferred outflows related to pension | 679,277 | | |
| Current and other liabilities | 3,448,627 | 3,586,568 | 3,818,018 |
| Total liabilities | 3,448,627 | 3,586,568 | 3,818,018 |
| Deferred inflows related to pensions | 1,480,365 | | |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 3,242,765 | 3,127,819 | 3,306,804 |
| Unrestricted | 4,068,364 | 3,962,872 | 4,729,035 |
| Total net assets | \$ 7,311,129 | \$ 7,090,691 | \$ 8,035,839 |

In the past, the largest portion of the District's net assets reflect its investment in capital assets (e.g. vehicles, equipment, buildings, etc.). The District uses these capital assets to provide services and, consequently, these assets are not available to liquidate liabilities or other spending. There are no restricted net assets and the unrestricted net assets are available for future operations. The District plans to use a significant portion of the unrestricted net assets for improvements to the fire stations.

As noted in the following table, the operating expenses had a decrease over the prior year due to a decrease in dispatch costs, EMS disposables and certain benefits due to having three less full time employees. The operating revenues increased due to the electronic charting being implemented and therefore the billing company receives the call information faster. The nonoperating revenues increased due to an increase in the property tax rate to \$3.25 from \$3.10.

| | June 30, 2015 | June 30, 2014 | June 30, 2013 |
|---|---------------|---------------|---------------|
| Operating revenues | \$ 5,566,768 | \$ 4,690,256 | \$ 4,744,745 |
| Operating expenses | 8,799,569 | 9,290,482 | 9,293,154 |
| Loss from operations | (3,232,800) | (4,600,226) | (4,548,409) |
| Net nonoperating revenues | | | |
| Property taxes and fire district assistance tax | 4,257,153 | 3,610,941 | 3,966,299 |
| Investment earnings | 10,628 | 10,317 | 12,312 |
| Miscellaneous | 34,788 | 33,820 | 41,851 |
| Net nonoperating revenues | 4,302,569 | 3,655,078 | 4,020,462 |
| Changes in net assets | 1,069,769 | (945,148) | (527,947) |
| Net assets, beginning of year, as restated | 6,241,360 | 8,035,839 | 8,563,786 |
| Net assets, end of year | \$ 7,311,129 | \$ 7,090,691 | \$ 8,035,839 |

The expenditure budget adopted prior to the beginning of the fiscal year was not amended during the year. Over the years, the District has expended less than budgeted, resulting in a carryover of funds available to reserve for major purchases.

Capital Assets and Debt Administration

The District's investment in capital assets amounts to \$3,242,765, net of accumulated depreciation and related debt, as of June 30, 2015. Capital assets include emergency vehicles, buildings, equipment and furniture. During the current fiscal year, the major additions include purchasing a Chevy Equinox, starting to rebox an ambulance, 16 tough books, a fuel management system and 12 new radios.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Fire Chief, Buckeye Valley Fire District, P.O. Box 75, Buckeye, AZ 85326.

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BUCKEYE VALLEY RURAL VOLUNTEER FIRE DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET ASSETS
JUNE 30, 2015

| | General Fund | Capital Projects Fund | Total | Adjustments (Note 8) | Statement of Net Assets |
|--|---------------------------|-----------------------------|---------------------------|----------------------------|----------------------------|
| ASSETS | | | | | |
| Cash | \$1,622,505 | \$2,122,579 | \$3,745,084 | \$ - | \$ 3,745,084 |
| Accounts receivable | 55,304 | | 55,304 | | 55,304 |
| Ambulance receivable, net | 1,195,737 | | 1,195,737 | | 1,195,737 |
| Taxes receivable | 229,742 | | 229,742 | | 229,742 |
| Prepaid expenses | 78,077 | | 78,077 | | 78,077 |
| Due from employee | 2,333 | | 2,333 | | 2,333 |
| Deposits | - | | - | | - |
| Net pension asset | | | | 113,126 | 113,126 |
| Capital assets: | | | | | |
| Land | | | | 143,198 | 143,198 |
| Property and equipment, net | | | | 5,952,593 | 5,952,593 |
| Construction in progress | | | | 45,649 | 45,649 |
| Total Assets | <u>\$3,183,698</u> | <u>\$2,122,579</u> | <u>\$5,306,277</u> | <u>\$ 6,254,567</u> | <u>\$11,560,844</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows of resources related to pensions | | | | 679,277 | 679,277 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 80,595 | \$ - | \$ 80,595 | \$ - | \$ 80,595 |
| Accrued expenses | 371,201 | | 371,201 | | 371,201 |
| Security deposit | 2,000 | | 2,000 | | 2,000 |
| Deferred revenue | 414,934 | | 414,934 | (414,934) | - |
| Noncurrent liabilities: | | | | | |
| Due within one year | | | | 261,201 | 261,201 |
| Due in more than one year | | | | 2,733,630 | 2,733,630 |
| Total liabilities | <u>868,730</u> | <u>-</u> | <u>868,730</u> | <u>2,579,897</u> | <u>3,448,627</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows of resources related to pensions | | | | 1,480,365 | 1,480,365 |

BUCKEYE VALLEY RURAL VOLUNTEER FIRE DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET ASSETS
JUNE 30, 2015

FUND BALANCES/NET ASSETS

Fund balances:

| | | | | | |
|-------------------------------------|--------------------|---------------------|--------------------|-----------------------|---|
| Unassigned | 2,314,968 | | 2,314,968 | (2,314,968) | |
| Assigned to capital expenditures | | 2,122,579 | 2,122,579 | (2,122,579) | - |
| Total fund balances | 2,314,968 | 2,122,579 | 4,437,547 | (4,437,547) | - |
| Total liabilities and fund balances | <u>\$3,183,698</u> | <u>\$ 2,122,579</u> | <u>\$5,306,277</u> | <u>\$ (1,857,650)</u> | |

Net assets:

| | | | | |
|---|--|--|---------------------|---------------------|
| Invested in capital assets, net of related debt | | | 3,242,765 | 3,242,765 |
| Unrestricted | | | <u>4,068,364</u> | <u>4,068,364</u> |
| Total net assets | | | <u>\$ 7,311,129</u> | <u>\$ 7,311,129</u> |

BUCKEYE VALLEY RURAL VOLUNTEER FIRE DISTRICT
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

| | General Fund | Capital Projects Fund | Total | Adjustments (Note 9) | Statement of Activities |
|---|------------------|--------------------------|------------------|-------------------------|----------------------------|
| EXPENDITURES/EXPENSES: | | | | | |
| Fire protection and emergency services: | | | | | |
| Personnel | \$ 5,105,335 | \$ - | \$ 5,105,335 | \$ (182,945) | \$ 4,922,390 |
| Employee benefits | 1,558,468 | | 1,558,468 | | 1,558,468 |
| Administration | 72,918 | | 72,918 | | 72,918 |
| Professional services | 237,426 | | 237,426 | | 237,426 |
| Utilities and communication | 467,723 | | 467,723 | | 467,723 |
| Insurance | 139,583 | | 139,583 | | 139,583 |
| Fuel and oil | 172,909 | | 172,909 | | 172,909 |
| Repairs and maintenance | 292,648 | | 292,648 | | 292,648 |
| Small tools & equipment | 17,059 | | 17,059 | | 17,059 |
| Training | 17,089 | | 17,089 | | 17,089 |
| Public education | 1,140 | | 1,140 | | 1,140 |
| EMS operations | 232,882 | | 232,882 | | 232,882 |
| Uniforms | 48,756 | | 48,756 | | 48,756 |
| Capital outlay | 484,449 | | 484,449 | 7,836 | 492,284 |
| Debt service: | | | | | |
| Principal | 134,909 | | 134,909 | (134,909) | - |
| Interest | 126,293 | | 126,293 | | 126,293 |
| Total expenditures/ expenses | <u>9,109,587</u> | <u>-</u> | <u>9,109,587</u> | <u>(310,018)</u> | <u>8,799,569</u> |
| PROGRAM REVENUES: | | | | | |
| Charges for services | 5,609,534 | - | 5,609,534 | (56,258) | 5,553,275 |
| Operating grants | 13,493 | | 13,493 | | 13,493 |
| Total program revenues | 5,623,026 | - | 5,623,026 | (56,258) | 5,566,768 |
| Net program expense | | | | | <u>3,232,800</u> |
| GENERAL REVENUES: | | | | | |
| Property taxes | 3,862,948 | | 3,862,948 | (11,912) | 3,851,036 |
| Fire district assistance tax | 406,117 | | 406,117 | | 406,117 |
| Donations | - | | - | | - |
| Interest | 3,098 | 7,530 | 10,628 | | 10,628 |
| Other income | 38,916 | | 38,916 | - | 38,916 |
| Loss on sale of assets | 8,000 | | 8,000 | (12,128) | (4,128) |
| Transfers - internal activities | (388,400) | 388,400 | - | | - |
| Total general revenues and transfers | <u>3,930,679</u> | <u>395,930</u> | <u>4,326,609</u> | <u>(24,040)</u> | <u>4,302,569</u> |

BUCKEYE VALLEY RURAL VOLUNTEER FIRE DISTRICT
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

| | | | | | |
|--|--------------------|---------------------|---------------------|--------------------|---------------------|
| Excess of revenues and transfers in over expenditures and transfers out | <u>444,118</u> | <u>395,930</u> | <u>840,048</u> | <u>(840,048)</u> | <u>-</u> |
| Change in net assets | | | | 1,069,769 | 1,069,769 |
| Fund balances/net assets: Beginning of the year, as restated | <u>1,870,850</u> | <u>1,726,649</u> | <u>3,597,499</u> | <u>2,643,861</u> | <u>6,241,360</u> |
| End of the year | <u>\$2,314,968</u> | <u>\$ 2,122,579</u> | <u>\$ 4,437,547</u> | <u>\$2,873,582</u> | <u>\$ 7,311,129</u> |

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BUCKEYE VALLEY RURAL VOLUNTEER FIRE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2015

| | Alternate Pension and Benefit Plan |
|--|---|
| ASSETS | |
| Cash | \$ 31,621 |
| Employee contribution receivable | 164 |
| Investments, at fair value | <u>289,821</u> |
| Total Assets | <u><u>\$ 321,606</u></u> |
| LIABILITIES AND NET ASSETS | |
| Due to general fund | \$ - |
| Held in trust for pension benefits and other purposes | <u>321,606</u> |
| Total Liabilities and Net Assets | <u><u>\$ 321,606</u></u> |

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BUCKEYE VALLEY RURAL VOLUNTEER FIRE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

| | <u>Alternate Pension and Benefit Plan</u> |
|---|---|
| ADDITIONS | |
| Contributions: | |
| District | \$ 625 |
| Premium tax | <u>-</u> |
| Total contributions | <u>625</u> |
| Investment earnings: | |
| Net increase in fair value of investments | 4,456 |
| Interest and dividends | <u>8,294</u> |
| Net investment earnings | <u>12,750</u> |
| Total additions | <u>13,375</u> |
| DEDUCTIONS | |
| Pension distributions | 40,425 |
| Payroll taxes | 574 |
| Pension fees | <u>9,324</u> |
| Total deductions | <u>50,323</u> |
| Change in net assets | (36,948) |
| Net assets-beginning of the year | <u>358,554</u> |
| Net assets-end of the year | <u><u>\$ 321,606</u></u> |

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Buckeye Valley Rural Volunteer Fire District (District) was organized in 1949 pursuant to Title 48 of the Arizona Revised Statutes. The District provides fire protection and rescue services for residents within the District boundaries of the Buckeye Valley covering approximately 200 square miles for fire service and 2,600 square miles for ambulance service. This does not include the Town of Buckeye.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles as applicable to local governments. The more significant of the District's accounting policies are described below.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The basic, but not only, criterion for including potential component units within the reporting entity is the governing body's ability to exercise oversight responsibility. The Alternate Pension and Benefit Plan is a component unit of the District because of the significance of its operational and financial relationships with the District.

Basis of Presentation

The accounts of the District are organized on the basis of funds, each of which is a separate reporting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent. The District's funds, which are included in this report, are as follows:

1. General Fund – This fund is established to account for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund – This fund is established to account for the purchase of major capital additions which are not financed by other funds.
3. Fiduciary Fund – This fund is established to account for the accumulation of resources to be used for annuity payments from the Alternate Pension and Benefit Plan.

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Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District is engaged in a single governmental program, therefore the government-wide and fund financial statements are combined.

Basis of Accounting

Government-wide Financial Statements: The statement of net assets and statement of activities display information about the reporting government as a whole. It includes all funds of the reporting entity except for the fiduciary fund. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. They are also financed by program revenue such as charges for services.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Notes 8 and 9 include a reconciliation and brief explanation to better identify the relationship between the government-wide statements and the fund financial statements.

Fund Financial Statements: The fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for using a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and fiduciary. The governmental fund includes the general fund and capital projects fund. The general fund is the primary operating fund of the District and is always classified as a major fund. The only other governmental fund is the capital projects fund and it is also classified as a major fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred, except for general obligation bond principal and interest which are reported when due, and revenues are recognized when they become measurable and available. Measurable means the amount of the transaction that can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes revenue and ambulance revenue as available if they are collected within sixty days after year end.

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Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Alternate Pension and Benefit Plan is reported in the Fiduciary Fund. This fund was created pursuant to Arizona Revised Statutes §9-499 through 9-981. Fiduciary funds are accounted for on an economic resources measurement focus and accrual basis of accounting. District contributions are recognized in the period the contributions are due.

Budgetary Data

In accordance with the Arizona Revised Statutes, the District is required to adopt an annual operating budget for the general fund. The District is required to approve and submit their budget no later than August 1st. The budget is adopted on a basis consistent with generally accepted accounting principles.

Interfund Transactions

Interfund receivables and payables arise from interfund transactions and are recorded in the period in which the transactions were executed.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District to be cash and cash equivalents.

State statutes authorize the District to invest public monies in the Arizona State Treasurer's local government investment pool, interest bearing savings accounts, certificates of deposit and in accounts of any savings and loan association insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. Investments are carried at cost, which approximates fair value. Investments in these pools are classified as a cash equivalent. Securities owned by the District and the component unit are traded on a national exchange and valued on the last business day of the fiscal year. The District has not adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed other than what is in the Arizona Revised Statutes. See Note 4 for more information.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes and Other Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year end and not yet received. Taxes receivables represent delinquent real property taxes levied within the District. Other receivables are primarily the charges for ambulance services and state land fires not collected at year end.

Capital Assets

Capital assets, which include property, equipment and vehicles, are reported in the general fund in the government-wide financial statements. Purchased assets are recorded at cost, except those assets for which historical costs were not available and estimated costs were used. Donated capital assets are recorded at fair market value on the date received. The District maintains a capitalization threshold of \$2,500.

The costs of normal repair and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Property, equipment and vehicles of the primary government are depreciated using the straight line method over the following estimated useful lives:

| | |
|-------------------------|----------------|
| Buildings | 7 to 40 years |
| Computer equipment | 3 years |
| Furniture and fixtures | 5 years |
| Land improvements | 15 to 20 years |
| Machinery and equipment | 5 to 12 years |
| Vehicles | 5 to 15 years |

No depreciation is taken on land or construction in progress.

Equity and Other Credits

In the government-wide financial statements, net assets are the difference between assets and liabilities. Net assets invested in capital assets are capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by other governments, creditors or grantors. None of the District's net assets are restricted.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity and Other Credits - continued

In the fund financial statements, governmental fund equity may be classified in the following five categories:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted – The restricted fund balance category is amounts that can be used only for specific purposes because of constitutional provisions, enabling legislation or externally imposed constraints. (External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.)

Committed – The committed fund balance category is amounts that can be only used for specific purposes because of a formal action (resolution) of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those accounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – The assigned fund balance category is amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. This is the residual fund balance classification for all governmental funds except the general fund.

Unassigned – The unassigned fund balance category is the residual classification for the general fund. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Compensated Absences

The District's policy regarding compensatory times permits employees to accumulate varying amounts as determined by management. The policy regarding personal time off (PTO) allows employees to accrue and carryover a maximum of 96 hours for 56 hour employees and 80 hours for 40 hour employees. Any unused PTO will be paid out at 100% upon separation from the District. The liability for compensated absences is reported in the government-wide statements as a long-term liability.

New Accounting Pronouncement

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, has been implemented effective for the District's June 30, 2015 fiscal year end. This statement replaces the requirements of prior GASB standards for pension accounting and reporting. This statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. Each employer participating in a multiple-employer defined benefit pension plan is required to record a liability representing their proportionate share of the plan's total net pension liability. This statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

NOTE 2 – CAPITAL PROJECTS FUND

The Capital Projects Fund was authorized by the board to provide funds from each year's General Fund budget for the replacement, acquisition or construction of major equipment or facilities. It should provide for the replacement of major equipment without the need for assessing large tax increases in any one year.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 3 – AMBULANCE RECEIVABLE

The District considers ambulance revenue as available if collected within sixty days after year end. The ambulance receivable represents the calls invoiced by June 30, 2015. The receivable balance as of June 30, 2015 is \$2,131,261. The allowance for doubtful accounts as of June 30, 2015 is \$935,524. The portion of the receivable that is not collected within sixty days after the end of the fiscal year is recorded as deferred revenue.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits – Amounts classified as deposits on June 30, 2015, are described below:

| | <u>Bank Balance</u> | <u>Carrying Amount</u> |
|---|-------------------------|----------------------------|
| General Fund | | |
| Maricopa County Treasurer's investment pool | \$ 391,102 | \$ 17,553 |
| Deposits with a financial institution | <u>1,266,616</u> | <u>1,604,952</u> |
| | <u>\$ 1,657,718</u> | <u>\$ 1,622,505</u> |
| Capital Projects Fund | | |
| Maricopa County Treasurer's investment pool | <u>\$ 2,122,579</u> | <u>\$ 2,122,579</u> |
| Fiduciary Fund | | |
| Money market | <u>\$ 31,621</u> | <u>\$ 31,621</u> |

The Maricopa County Treasurer invests the cash in a pool under policy guidelines established by the Maricopa County Treasurers' Office (the County). The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the MCTIP is included in the Comprehensive Annual Financial Report of Maricopa County. The fair value of each participant's position in the MCTIP approximates the value of the participant's shares in the pool.

Credit risk - Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices other than what is in the Arizona Revised Statutes. The Maricopa County Treasurer's Investment Pool is an external investment pool with no regulatory oversight. The MCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2015, the MCTIP had not received a credit quality rating from a national rating agency.

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Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits (in excess of FDIC insurance) may not be returned to the District. State statutes require that deposits with financial institutions be insured by the Federal Deposit Insurance Corporation (FDIC). FDIC insures deposits up to \$250,000 for all interest-bearing accounts and another \$250,000 for all demand deposit accounts in a given financial institution. Deposits in excess of insured amounts shall be collateralized by approved securities. The District does not have a formal policy related to custodial credit risk. The District's custodial credit risk as of June 30, 2015 is \$1,354,952.

Interest rate risk – Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of credit risk – Arizona Revised Statutes do not include any requirements for concentration of credit risk.

Foreign currency risk – Arizona Revised Statutes do not allow foreign investments.

Investments – The District does not have a formal investment policy with respect to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

The Fiduciary Fund's investments as of June 30, 2015 are as follows:

| <u>Investment Type</u> | <u>Maturity</u> | <u>Credit Rating</u> | <u>Fair Value</u> |
|------------------------------------|-----------------|--------------------------|-----------------------|
| Mutual Funds: | | | |
| Conestoga Small Cap Investors | Various | ***** | \$ 21,719 |
| Dodge & Cox International Stock | Various | *** | 49,113 |
| Dodge & Cox Income | Various | **** | 26,967 |
| Dodge & Cox Stock | Various | **** | 74,874 |
| Fidelity High Income | Various | *** | 6,988 |
| Fidelity Blue Chip Growth | Various | **** | 79,243 |
| Fidelity Real Estate Income | Various | *** | 7,556 |
| Primecap Odyssey Aggressive Growth | Various | ***** | 20,470 |
| Tocqueville Delafield Fund | Various | ** | 2,891 |
| | | | <u>\$ 289,821</u> |

Credit ratings are based on the Morningstar Rating.

The investments are fully insured by the Securities Investor Protection Corporation (SIPC) and therefore there is no custodial credit risk.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 5 – CAPITAL ASSETS

The summary of changes in capital assets is as follows:

| | Balance 6/30/2014 | Additions | Deletions | Balance 6/30/2015 |
|--------------------------------------|----------------------|-------------------|--------------------|----------------------|
| <i>Governmental activities:</i> | | | | |
| Land | \$ 143,198 | \$ - | \$ - | \$ 143,198 |
| Buildings | 5,849,083 | 64,654 | (20,910) | 5,892,827 |
| Vehicles | 3,625,756 | 44,551 | (102,649) | 3,567,658 |
| Equipment | 1,176,965 | 329,595 | (137,796) | 1,368,764 |
| Construction in progress | - | 45,649 | - | 45,649 |
| | 10,795,002 | 484,449 | (261,355) | 11,018,096 |
| <i>Accumulated depreciation:</i> | | | | |
| Buildings | 739,990 | 158,555 | (13,681) | 884,864 |
| Vehicles | 2,794,557 | 284,363 | (102,649) | 2,976,271 |
| Equipment | 1,099,051 | 49,366 | (132,897) | 1,015,520 |
| | 4,633,598 | 492,284 | (249,227) | 4,876,655 |
| Net assets | <u>\$6,161,404</u> | <u>\$ (7,835)</u> | <u>\$ (12,128)</u> | <u>\$ 6,141,441</u> |

Depreciation expense is charged to the general government.

NOTE 6 – PROPERTY TAXES

Taxes are levied and collected by the Maricopa County Treasurer on real property. Real property taxes attach an enforceable lien on the first day of the levy year. Taxes are levied in August and may be paid in two equal installments. The first installment is due in October and the second is due in March of the following year.

Taxes receivable represents the delinquent tax levied against the real property taxes within the District. No reserve is made in the financial statements for doubtful accounts because in the event the taxes are not paid, a lien is placed on the property which can be subsequently sold to collect the delinquent taxes. The taxes receivable at June 30, 2015 is \$229,742. The portion of taxes receivable that is not collected within sixty days after the end of the fiscal year is recorded as deferred revenue.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 7 – LONG TERM OBLIGATIONS

Capital Leases

The District acquired buildings, vehicles and equipment by granting leasehold interests in the underlying assets to the creditors (the Bank). The Bank, in turn, leased the property to the District under long-term agreements. Under these agreements, the District is obligated to make lease payments to the Bank, subject to receiving Board appropriations, until the obligation to the Bank is satisfied. Once the obligations to the Bank are satisfied, all rights, title, and interest in the buildings, vehicles and equipment are transferred to the District. However, if the Board appropriations are not received, the District is relieved of any subsequent obligation and the obligations are considered in default. If the default is not cured, the District has agreed that the Bank may terminate the leases, take possession of, and liquidate, the assets pledged under the agreements.

The District's obligations are accounted for in the Statement of Net Assets. Assets under capital leases totaled \$3,517,000 less accumulated depreciation of \$358,185 at June 30, 2015.

The description of the capital leases are as follows:

| <u>Description</u> | <u>Interest Rate</u> | <u>Lease Term</u> | <u>Balance 6/30/2015</u> |
|--------------------|--------------------------|-----------------------|------------------------------|
| Station 326 | 4.50% | 6/2030 | \$ 2,898,676 |

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 7 – LONG TERM OBLIGATIONS (Continued)

Capital Leases – continued

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2015.

| Year Ending June 30 | |
|---|----------------------------|
| 2016 | \$ 261,201 |
| 2017 | 261,201 |
| 2018 | 261,201 |
| 2019-2023 | 1,306,005 |
| 2024-2028 | 1,306,005 |
| 2029-2030 | <u>522,408</u> |
| Minimum lease payments for all capital leases | 3,918,021 |
| Less: Amount representing interest | <u>(1,019,345)</u> |
| Present value of minimum lease payments | <u><u>\$ 2,898,676</u></u> |

Long-term obligations are generally paid out of the general fund. Changes in long-term obligations for the year ended June 30, 2015, are as follows:

| | Balance 6/30/2014 | Increases | Decreases | Balance 6/30/2015 |
|---------------------------------|----------------------------|--------------------|----------------------------|----------------------------|
| <i>Governmental activities:</i> | | | | |
| Compensated absences | \$ 117,731 | \$ - | \$ (21,576) | \$ 96,155 |
| Capital lease obligations | <u>3,033,585</u> | | <u>(134,909)</u> | <u>2,898,676</u> |
| | <u><u>\$ 3,151,316</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (156,485)</u></u> | <u><u>\$ 2,994,831</u></u> |

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Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

**NOTE 8 – RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

| | |
|--|---------------------|
| Total Government Fund Balances | \$ 4,437,547 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 6,141,441 |
| Pension contributions subsequent to the measurement date, assumption changes, and differences between expected and actual experience are not available resources, and therefore, are not reported in the funds | (801,088) |
| Receivables that are not considered available to pay for current period expenditures are reported as deferred revenue in the funds. | |
| Taxes receivable | 173,433 |
| Ambulance receivables | 241,502 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | |
| Net pension asset | 113,126 |
| Capital leases | (2,898,676) |
| Compensated absences | (96,155) |
| Net assets of governmental activities | <u>\$ 7,311,129</u> |

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Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

**NOTE 9 – RECONCILIATION OF THE CHANGES IN FUND BALANCE – TOTAL
GOVERNMENTAL FUNDS TO THE CHANGE IN NET ASSETS OF
GOVERNMENTAL ACTIVITIES**

| | |
|--|------------|
| Net change in fund balances - total government funds | \$ 840,048 |
|--|------------|

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenses over the life of the assets.

| | |
|--------------------------|-----------|
| Capital assets purchases | 484,449 |
| Depreciation expense | (492,284) |
| Loss on sale of assets | (12,128) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|----------------------|----------|
| Charges for services | (56,258) |
| Property taxes | (11,912) |

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

134,909

Compensated absences and pension expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

182,945

Change in net assets of governmental activities

\$ 1,069,769

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Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 10 – ALTERNATE PENSION AND BENEFIT PLAN

Plan description – In February, 1993, the District Pension Board approved and adopted Resolution Number PF 9301 which established an Article 4 Alternate Pension and Benefit Plan under Arizona Revised Statute §9-981 for volunteer firefighters. This plan is a defined contribution plan that is being administered by Innes Associates, Ltd., a registered investment advisor. The minimum age is 18 years and minimum service is twelve months. Participants are 50% vested within five years of credited service, with an increase of 10% per year thereafter until fully vested at ten years of credited service.

Funding policy - The District's contribution to the plan is from the fire insurance premium tax received under Arizona Revised Statute §9-952 and 10% of current covered payroll. The District's contribution as of June 30, 2015 was \$0 and \$625 respectively.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account is to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. As of June 30, 2015, there is one individual receiving benefits.

The Fiduciary Fund held no securities of the District or other related parties during the year or as of the close of the fiscal year.

NOTE 11 – RETIREMENT PLANS

Public Safety Personnel Retirement System

Plan description – The District contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

Benefits Provided – The PSPRS provides retirement, health insurance premiums supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

| | Initial Membership Date Before January 1, 2012 | Initial Membership Date On or After January 1, 2012 |
|--|---|---|
| Retirement and Disability | | |
| Years of service and age required to receive benefit | 20 years any age 15 years age 62 | 25 years age 52.5 |
| Final average salary is based on benefit percent | Highest 36 consecutive months of last 20 years | Highest 60 months of last 20 years |
| Normal Retirement | 50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80% | 62.5% less 4% for each years of credited service less than 25 years OR plus 2.5% for each year of credited service over 25 years, not to exceed 80% |
| Accidental Disability Retirement | 50% or normal retirement, whichever is greater | |
| Catastrophic Disability Retirement | 90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater | |
| Ordinary Disability | Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (no to exceed 20 years) divided by 20 | |
| Survivor Benefit | | |
| Retired Members | 80% to 100% of retired member's pension benefit | |
| Active Members | 80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job | |

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms – At June 30, 2015, the following employees were covered by the agent pension plan's benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 1 |
| Inactive employees entitled to but not yet receiving benefits | 12 |
| Active employees | 63 |
| Total | <u>76</u> |

Contributions and annual OPEB cost – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the District was required to contribute 12.47 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 0.42 percent.

For the agent plans, the District's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

Pension

| | |
|--------------------|------------|
| Contributions made | \$ 496,768 |
|--------------------|------------|

Health Insurance Premium Benefit

| | |
|--------------------|------|
| Annual OPEB cost | |
| Contributions made | \$ 0 |

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

Pension asset– At June 30, 2015, the District reported a net pension asset of \$481,152. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The total pension assets as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law which changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

Pension actuarial assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

| | |
|----------------------------|--|
| Actuarial valuation date | 6/30/2014 |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions: | |
| Investment rate of return | 7.85% |
| Projected salary increases | 4.00% - 8.00% |
| Includes inflation at | 3.00% - 4.00% |
| Permanent benefit increase | Included |
| Mortality rates | RP – 2000 mortality table, adjusted by 105% for both males and females |

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85% used a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rate of return for each major asset class are summarized in the following table:

| <i>Asset Class</i> | <i>Target Allocation</i> | <i>Long-Term Expected Real Rate of Return</i> |
|-----------------------------|-------------------------------------|--|
| <i>US Equity</i> | 16.00% | 7.60% |
| <i>Non-U.S. Equity</i> | 14.00% | 8.63% |
| <i>Private Equity</i> | 11.00% | 9.50% |
| <i>Fixed Income</i> | 7.00% | 4.75% |
| <i>Credit Opportunities</i> | 13.00% | 8.00% |
| <i>Absolute Return</i> | 4.00% | 6.75% |
| <i>GTAA</i> | 10.00% | 5.73% |
| <i>Real Assets</i> | 8.00% | 5.96% |
| <i>Real Estate</i> | 11.00% | 6.50% |
| <i>Risk Parity</i> | 4.00% | 6.04% |
| <i>Short Term Inv</i> | 2.00% | 3.25% |
| Total | 100.00% | |

Discount Rate - A Single Discount Rate of 7.85% was used to measure the total pension liability. The Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|--|--------------------------------|------------------------------------|------------------------------------|
| Balance at June 30, 2014 | \$ 7,213,762 | \$ 6,274,900 | \$ 938,862 |
| Changes for the year: | | | |
| Service cost | 846,403 | - | 846,403 |
| Interest on total pension liability | 597,852 | - | 597,852 |
| Changes of benefit terms | (23,361) | - | (23,361) |
| Difference between expected and actual experience of the pension liability | (1,192,392) | - | (1,192,392) |
| Changes of assumptions | 88,423 | - | 88,423 |
| Contributions - employer | - | 505,048 | (505,048) |
| Contributions - employee | - | 429,785 | (429,785) |
| Net investment income | - | 903,216 | (903,216) |
| Benefit payments, including refunds of employee contributions | (42,020) | (42,020) | - |
| Other changes | - | (101,110) | 101,110 |
| Net changes | 274,905 | 1,694,919 | (1,420,014) |
| Balance at June 30, 2015 | \$ 7,488,667 | \$ 7,969,819 | \$ (481,152) |

Sensitivity of the proportionate share of the net pension liability/ (asset) to changes in the discount rate- The following table presents the District's net pension liability/ (asset) calculated using the discount rate 7.85%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

| | 1% Decrease (6.85%) | Discount Rate (7.85%) | 1% Increase (8.85%) |
|-------------------------------|------------------------|--------------------------|------------------------|
| Total Pension Liability | \$ 8,838,166 | \$ 7,488,667 | \$ 6,395,839 |
| Plan Fiduciary Net Position | <u>7,969,819</u> | <u>7,969,819</u> | <u>7,969,819</u> |
| Net Pension Liability/(Asset) | \$ 868,347 | \$ (481,152) | \$ (1,573,980) |

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Pension expense and deferred outflows/inflows of resources- For the year ended June 30, 2015 the District's pension expense for PSPRS of \$401,744. At June 30, 2015, the District's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$1,094,149 |
| Changes in assumptions | 81,138 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 303,699 |
| District contributions subsequent to the measurement date | 496,768 | - |
| Total | <u>\$ 577,906</u> | <u>\$ 1,397,848</u> |

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

Deferred inflows and outflows of resources relating to future periods are as follows:

| Year ending June 30: | <u>Net Inflows Outflows of Resources</u> |
|----------------------|--|
| 2016 | (166,883) |
| 2017 | (166,883) |
| 2018 | (166,883) |
| 2019 | (166,883) |
| 2020 | (90,958) |
| Thereafter | (558,220) |

Actuarial valuations involve estimates of the reported amounts value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the District and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the District and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

| | |
|-------------------------------|---|
| Actuarial valuation date | 6/30/2014 |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions: | |
| Investment rate of return | 7.85% |
| Projected salary increases | 4.0% - 8.0% |
| Payroll growth | 4.0% |
| Cost of living adjustments | None |
| Amortization method | Level percent-of-pay closed |
| Remaining amortization period | 22 years for underfunded 20 years for overfunded |
| Asset valuation method | 7-year smoothed market 80%/120% market |

TREND INFORMATION – Information for the most recent actuarial valuations follows:

| <u>Contributions Required</u> | | | |
|-------------------------------|----------------------------|-------------------------------|-------------------------------|
| <u>Year Ended</u> | <u>Annual Pension Cost</u> | <u>Percentage Contributed</u> | <u>Net Pension Obligation</u> |
| 6/30/2015 | \$559,324 (est.) | 100% | \$0 |
| 6/30/2014 | \$574,583 (est.) | 100% | \$0 |
| 6/30/2013 | \$485,644 (est.) | 100% | \$0 |

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

Agent plan OPEB funded status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow.

| | |
|---|------------------------------|
| | Insurance Subsidy |
| Actuarial accrued liability (AAL) | \$ 292,593 |
| Actuarial value of plan assets | 279,981 |
| Unfunded actuarial accrued liability (UAAL) | 12,612 |
| Funded ratio (actuarial value of plan assets/AAL) | 95.69% |
| Covered payroll (active plan members) | 3,636,498 |
| UAAL as a percentage of covered payroll | .35% |

FUNDING PROGRESS – An analysis of funding progress excluding health insurance subsidy as of June 30, 2015, follows:

| Valuation Ending June 30 | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percent of Covered Payroll ((b - a)/c) | AAL as a Percent of Covered Payroll (b)/(c) |
|--------------------------------|---|---|--------------------------------------|--------------------------|---------------------------|--|---|
| 2015 | \$ 9,164,875 | \$ 8,721,408 | \$ (443,467) | 105.1% | \$ 3,636,498 | 0.0% | 239.8% |
| 2014 | 8,081,883 | 7,488,667 | (593,216) | 107.9% | 3,928,301 | 0.0% | 190.6% |
| 2013 | 7,219,608 | 7,213,762 | (5,846) | 100.1% | 4,359,060 | -0.1% | 165.5% |

FUNDING PROGRESS – An analysis of funding progress for health insurance subsidy as of June 30, 2015, follows:

| Valuation Ending June 30 | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percent of Covered Payroll ((b - a)/c) |
|--------------------------------|---|---|--------------------------------------|--------------------------|---------------------------|--|
| 2015 | \$ 279,981 | \$ 292,593 | \$ 12,612 | 95.7% | \$ 3,636,498 | 0.3% |
| 2014 | 240,685 | 271,964 | \$ 31,279 | 88.5% | 3,928,301 | 0.8% |
| 2013 | - | 262,656 | \$ 262,656 | 0.0% | 4,359,060 | 6.0% |

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows:

| Plan | Year Ended June 30, | Annual Pension/OPEB Cost | Percentage of Annual Cost Contributed | Net Pension/OPEB Obligation |
|---------------------|------------------------|--------------------------------|--|-----------------------------------|
| Health Insurance | 2013 | \$34,273 | 100% | \$0 |
| | 2014 | \$18,270 | 100% | \$0 |
| | 2015 | \$16,520 | 100% | \$0 |

Arizona State Retirement System (ASRS)

Plan description - The District participates in the Arizona State Retirement Systems (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

| | Initial Membership Date Before July 1, 2011 | Initial Membership Date On or After July 1, 2011 |
|--|---|--|
| Years of service and age required to receive benefit | Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65 | 30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65 |
| Final average salary is based on | Highest 36 consecutive months of last 120 months | Highest 60 consecutive months of last 120 months |
| Benefit percent per year of service | 2.1% to 2.3% | 2.1% to 2.3% |

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employee contribution requirements. The combined active member and employee contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS member were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the member's annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

The District's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

| Year Ended June 30, | Retirement Fund | Health Benefit Supplement Fund | Long-term Disability Fund |
|---------------------------|--------------------|-----------------------------------|------------------------------|
| 2015 | 77,616 | 4,200 | 851 |
| 2014 | 22,065 | 1,406 | 519 |
| 2013 | 22,635 | 882 | 530 |

Pension liability – At June 30, 2015, the District reported a liability of \$368,026 for its proportionate share of the ASRS; net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The District's proportion measured as of June 30, 2014 was 0.002487 percent, which was a decrease of 0.000157 percent from its proportion measured as of June 30, 2013.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the District recognized pension expense for ASRS of \$16,322. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 18,704 | \$ - |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 64,356 |
| Changes in proportion and differences between contributions and proportional share of contributions | - | 18,161 |
| Contributions subsequent to the measurement date | 82,667 | |
| Total | <u>\$ 101,371</u> | <u>\$ 82,517</u> |

The \$82,667 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amount reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

| Year Ended June 30 | Deferred Outflows (Inflows) of Resources |
|-----------------------|---|
| 2015 | (15,853) |
| 2016 | (15,853) |
| 2017 | (16,018) |
| 2018 | (16,089) |
| 2019 | - |

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

| | |
|-----------------------------|-------------------|
| Actuarial valuation date | June 30, 2013 |
| Actuarial roll forward date | June 30, 2014 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 8% |
| Projected salary increases | 3.0%-6.75% |
| Inflation | 3% |
| Permanent benefit increase | Included |
| Mortality rates | 1994 GAM Scale BB |

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

| Asset Class | Expected Return Arithmetic Basis | | |
|--------------|------------------------------------|------------------------------|--|
| | Target Asset Allocation | Real Return Arithmetic Basis | Long-term Expected Portfolio Real Rate of Return |
| Equity | 63% | 7.03% | 4.43% |
| Fixed Income | 25% | 3.20% | 0.80% |
| Commodities | 4% | 4.50% | 0.18% |
| Real Estate | 8% | 4.75% | 0.38% |
| Totals | 100% | | 5.79% |
| | Inflation | | 3.00% |
| | Expected arithmetic nominal return | | 8.79% |

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flow used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

| | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------|--------------------|
| Proportionate share of Net pension (asset)/liability | \$ 465,166 | \$ 368,026 | \$ 315,323 |

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 11 – RETIREMENT PLANS (Continued)

Beginning Net Position Restatement

The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, represents a change in accounting principle. Net position as of July 1, 2014, has been restated as follows for this change in accounting principle:

| | Statement of Activities |
|--|----------------------------|
| Net position, June 30, 2014 | \$ 7,090,691 |
| Net pension liability | (849,331) |
| Net position, June 30, 2014, as restated | <u>\$ 6,241,360</u> |

Deferred Compensation Plan

On July 1, 2004, the District began participating in a deferred compensation plan for all personnel. In this plan, employees can designate a percentage of their salary or a specific amount to be deducted from their paychecks. This plan is designed to provide benefits for retirement for any employee who chooses to participate in the plan.

The District pays \$525 per month towards the employee's health insurance. If the employee does not need health insurance or the monthly premium is less than \$525, the District contributes the remainder to the employee's deferred compensation plan. This contribution ended March 31, 2015. The District's contributions as of June 30, 2015 were \$117,607.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 12 – COMMITMENTS

The District entered into an agreement to provide fire suppression services for Sempra Energy (dba Mesquite Power, LLC now SRP Emergency Response). This agreement was effective on September 1, 2011 and will terminate September 30, 2016. The compensation for this service is \$35,743 annually for the term of the agreement and shall be adjusted annually based on the U.S. Department of Labor Index. The amount for the year ended June 30, 2015 was \$37,893.

The District entered into an agreement to provide fire suppression services for Duke Energy Maricopa, LLC. This agreement was effective on November 10, 2000, and is renewable annually. The annual compensation for this service is \$25,000.

The District entered into an agreement to provide fire suppression services for SRP Jojoba Switchyard. This agreement was effective on November 18, 2013, and is renewable annually. The annual compensation for this service is \$5,000.

NOTE 13 – OPERATING LEASES

The District has a cancelable computer aided dispatching service agreement with the City of Phoenix. The current agreement is effective for a period of one year ending June 30, 2015. Either party may withdraw by submitting at least a 90 day notice prior to July 1st of each year. Lease costs are paid on a quarterly basis for dispatch and technical services at a cost of \$82,864. Total lease payments for the year ended June 30, 2015, were \$331,456.

The District entered into a lease agreement with Global Tower for space on the radio tower. This agreement was effective September 26, 2006 and ended five years thereafter. The lease may be renewed for five additional five year terms. The compensation for this lease is \$1,000 per month during the lease term. On June 1, 2010, this lease was amended with a monthly rent of \$875 and an annual increase of 15%.

The District has entered into a lease agreement with Lanson Birch dba All Westside Roadside for the property and building located at 29313 W. Van Buren. This agreement was effective April 27, 2015 and will end April 1, 2016. The compensation for this lease is \$1,000 per month with a security deposit of \$2,000 for first and last month's rent.

Buckeye Valley Rural Volunteer Fire District
Notes to Financial Statements
June 30, 2015

NOTE 14 – RISK MANAGEMENT

The District is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. The District maintains commercial liability insurance to cover losses. Any settled claims resulting from these risks have not exceeded commercial insurance in any of the last three years. In the opinion of the District's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. Consequently, no provision has been made in the financial statements for possible losses of this nature.

The District has hired an attorney to provide legal services in connection with the defense of their certificate of necessity. This issue could have a large impact on ambulance revenue.

NOTE 15 – EVALUATION OF SUBSEQUENT EVENTS

As of July 1, 2015, the District has added an employee benefit whereby each employee receives \$62 per paycheck that he/she can allocate towards medical, dental, vision, life, AFLAC or Colonial out of pocket costs or choose to put it in a deferred compensation plan.

As of September 2015, the District has completed the ambulance rebox project that was started in June 2015.

The District has evaluated subsequent events through January 25, 2016, the date which the financial statements were available to be issued.

BUCKEYE VALLEY RURAL VOLUNTEER FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

| | Budgeted Amounts | | Actual | Budget Variance |
|---|------------------|--------------|--------------|------------------------|
| | Original | Final | Amounts | Positive (Negative) |
| Beginning budgetary fund balance | \$ 1,870,850 | \$ 1,870,850 | \$ 1,870,850 | \$ - |
| Resources (inflows): | | | | |
| Property taxes | 3,910,122 | 3,910,122 | 3,862,948 | (47,174) |
| Fire district assistance tax | 400,000 | 400,000 | 406,117 | 6,117 |
| Charges for services | 4,613,822 | 4,613,822 | 5,609,534 | 995,711 |
| Donations | 1,000 | 1,000 | - | (1,000) |
| Interest | 2,000 | 2,000 | 3,098 | 1,098 |
| Grants | 1,130,790 | 1,130,790 | 13,493 | (1,117,297) |
| Other income | 31,734 | 31,734 | 46,916 | 15,182 |
| Transfers - internal activities | 117,860 | 117,860 | (388,400) | (506,260) |
| Amounts available for appropriation | 10,207,328 | 10,207,328 | 9,553,706 | (653,623) |
| Charges to appropriations (outflows): | | | | |
| Fire protection and emergency services: | | | | |
| Personnel | 5,053,394 | 5,053,394 | 5,105,335 | 51,941 |
| Employee benefits | 1,658,636 | 1,658,636 | 1,558,468 | (100,168) |
| Administration | 423,944 | 423,944 | 72,918 | (351,026) |
| Professional services | 221,900 | 221,900 | 237,426 | 15,526 |
| Utilities and communication | 148,000 | 148,000 | 467,723 | 319,723 |
| Insurance | 147,000 | 147,000 | 139,583 | (7,417) |
| Fuel and oil | 199,094 | 199,094 | 172,909 | (26,185) |
| Repairs and maintenance | 260,268 | 260,268 | 292,648 | 32,380 |
| Small tools & equipment | 55,000 | 55,000 | 17,059 | (37,941) |
| Training | 25,222 | 25,222 | 17,089 | (8,133) |
| Public education | 1,000 | 1,000 | 1,140 | 140 |
| EMS operations | 375,000 | 375,000 | 232,882 | (142,118) |
| Uniforms | 89,000 | 89,000 | 48,756 | (40,244) |
| Capital outlay | 1,185,305 | 1,185,305 | 484,449 | (700,856) |
| Debt service | 261,202 | 261,202 | 261,202 | (0) |
| Contingency | 103,363 | 103,363 | - | (103,363) |
| Total charges to appropriations | 10,207,328 | 10,207,328 | 9,109,587 | (1,097,741) |
| Ending budgetary fund balance | \$ 1,870,850 | \$ 1,870,850 | \$ 2,314,968 | \$ 444,118 |

Buckeye Valley Rural Volunteer Fire District
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years *
PSPRS

| | 2014 |
|---|---------------------|
| Total Pension Liability | |
| Service cost | \$ 846,403 |
| Interest on the total pension liability | 597,852 |
| Changes of benefit terms | (23,361) |
| Difference between expected and actual experience of the total pension liability | (1,192,392) |
| Changes of assumptions | 88,423 |
| Benefits payments, including refunds of employee contributions | (42,020) |
| Net change in total pension liability | \$ 274,905 |
| Total pension liability - beginning | 7,213,762 |
| Total pension liability - ending | <u>\$ 7,488,667</u> |
| Plan Fiduciary Net Position | |
| Contributions - employer | \$ 505,048 |
| Contributions - employee | 429,785 |
| Net investment income | 903,216 |
| Benefit payments, including refunds of employee contributions | (42,020) |
| Other (net transfer) | (286,401) |
| Net change in plan fiduciary net position | \$ 1,509,628 |
| Plan fiduciary net position - beginning | 6,460,191 |
| Plan fiduciary net position - ending | <u>\$ 7,969,819</u> |
| Net pension liability/(asset) | \$ (481,152) |
| Plan fiduciary net position as a percentage of the total pension liability | 106.43% |
| Covered valuation payroll | \$ 3,928,299 |
| Net pension liability as a percentage of covered valuation payroll | -12.25% |

Notes to Schedule

Changes of benefit terms include the payout of retro permanent benefit increase (PBI) and a change in the employee contribution rate.

Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well as the inclusion of an assumption to explicitly value future PBI.

* The reporting date is fiscal year 2015 while the measurement date is fiscal year 2014. This is the 1st year of implementation, therefore only one year is displayed.

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Buckeye Valley Rural Volunteer Fire District
Schedule of Contributions
Last Ten Fiscal Years *
PSPRS

| Year Ended June 30th | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Valuation Payroll | Actual Contribution as a % of Covered Valuation Payroll |
|----------------------------|---|------------------------|--|---------------------------------|---|
| 2014 | \$ 505,048 | \$ 505,048 | \$ - | \$ 3,928,299 | 12.86% |

* The reporting date is fiscal year 2015 while the measurement date is fiscal year 2014.
This is the 1st year of implementation, therefore only one year is displayed.

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of June 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine fiscal year 2014 contribution rates:

| | |
|--------------------------------|---|
| Actuarial cost method: | Individual entry age normal |
| Amortization method: | Level percentage of payroll, closed |
| Remaining amortization period: | 24 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable. |
| Asset valuation method: | 7-year smoothed market; 20% corridor |
| Wage growth: | 5.00% |
| Price inflation: | 3.0% - 4.0% -- approximate; No explicit price inflation assumption is used in this valuation. |
| Salary increases: | 5.00% to 9.00% including inflation |
| Investment rate of return: | 8.00%, net of investment and administrative expenses |
| Retirement age: | Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011. |
| Mortality: | RP - 2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females). |

Other Information

| | |
|---|--|
| Assumed future permanent benefit increases: | No explicit assumed permanent benefit increases assumption |
|---|--|

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Buckeye Valley Rural Volunteer Fire District
Schedule of Funding Progress - Other Postemployment Benefits
Last Three Fiscal Years
PSPRS

FUNDING PROGRESS – An analysis of funding progress excluding health insurance subsidy as of June 30, 2015, follows:

| Valuation Ending June 30 | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------------|---|---|--------------------------------------|--------------------------|---------------------------|---|
| 2015 | \$ 9,164,875 | \$ 8,721,408 | \$ (443,467) | 105.1% | \$ 3,636,498 | 0.0% |
| 2014 | \$ 8,081,883 | \$ 7,488,667 | \$ (593,216) | 107.9% | \$ 3,928,301 | 0.0% |
| 2013 | \$ 7,219,608 | \$ 7,213,762 | \$ (5,846) | 100.1% | \$ 4,359,060 | 0.0% |

FUNDING PROGRESS – An analysis of funding progress for health insurance subsidy as of June 30, 2015, follows:

| Valuation Ending June 30 | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a)/c) |
|--------------------------------|---|---|--------------------------------------|--------------------------|---------------------------|---|
| 2015 | \$ 279,981 | \$ 292,593 | \$ 12,612 | 95.7% | \$ 3,636,498 | 0.35% |
| 2014 | \$ 240,685 | \$ 271,964 | \$ 31,279 | 88.5% | \$ 3,928,301 | 0.80% |
| 2013 | \$ - | \$ 262,656 | \$ 262,656 | 0.0% | \$ 4,359,060 | 6.03% |

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Buckeye Valley Rural Volunteer Fire District
Schedule of Proportionate Share of the Net Pension Liability (ASRS)
Last Ten Fiscal Years *

| | <u>2014</u> |
|---|-------------|
| District's proportion of the net pension liability (asset) | 0.002487% |
| District's proportionate share of the net pension liability (asset) | \$ 368,026 |
| District's covered-employee payroll | \$ 207,886 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 177.03% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.49% |

* Fiscal year 2015 with a measurement date of June 30, 2014 is the first year of implementation, therefore only one year is displayed.

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Buckeye Valley Rural Volunteer Fire District
Schedule of Contributions - Cost Sharing Retirement Plan (ASRS)
Last Ten Fiscal Years *

| Year Ended June 30 | Actuarially Determined Contribution** | Actual Contribution** | Contribution Deficiency (Excess) | Covered Employee Payroll | Actual Contribution as a % of Covered Payroll |
|--------------------|---------------------------------------|-----------------------|----------------------------------|--------------------------|---|
| 2014 | \$ 23,990 | \$ 23,990 | \$ - | \$ 207,886 | 11.54% |

* Fiscal year 2015 with a measurement date of June 30, 2014 is the first year of implementation, therefore only one year is displayed.

** Represents annualized contributions

Notes to Schedule:

Valuation date : Actuarially determined contribution rates are calculated as of June 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|------------------------|-----------------------------|
| Actuarial cost method: | Individual Entry Age Normal |
| Amortization method: | |
| Plan amendments | Immediate |
| Investment gain/loss | 5 years |
| Assumption gain/loss | Avg future serv lives |
| Experience gain/loss | Avg future serv lives |
| Asset valuation: | Fair Value |
| Discount rate: | 8% |
| Price inflation: | 3% |
| Salary Increases: | 3% to 6.75% |
| Mortality: | 1994 GAM Scale BB |

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Heidenreich & Heidenreich, CPAs, PLLC

10201 S. 51st Street, Suite #170

Phoenix, AZ 85044

(480)704-6301 fax 785-4619

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the District Board
Buckeye Valley Rural Volunteer Fire District

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements the governmental activities, each major fund, and the aggregate remaining fund information of Buckeye Valley Rural Volunteer Fire District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Buckeye Valley Rural Volunteer Fire District's basic financial statements, and have issued our report thereon dated January 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Buckeye Valley Rural Volunteer Fire District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Buckeye Valley Rural Volunteer Fire District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Buckeye Valley Rural Volunteer Fire District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compliance with Regulatory Requirements

In connection with our audit, nothing came to our attention that caused us to believe that Buckeye Valley Rural Volunteer Fire District incurred any debt or liability in excess of taxes levied and to be collected and the monies actually available and unencumbered at that time in the District's General Fund, except for those liabilities as prescribed in A.R.S. section 48-805, subsection B, paragraph 2 and sections 48-806 and 48-807, or that the District failed to comply with A.R.S. section 48-805.02 subsection F. However our audit was not directed primarily toward obtaining knowledge of such noncompliance. This is supplemental reporting for state compliance purposes only.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heidenreich: Heidenreich CPAs PLLC

Heidenreich & Heidenreich, CPAs, PLLC

Phoenix, AZ
January 25, 2016

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